

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	22
Notes to Financial Statements		23-32
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		33
Notes to Required Supplementary Information - Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	36
Schedule of Changes in Student Activity Accounts	3	37
Schedule of Changes in Assets and Liabilities - Agency Fund	4	38
Combining Balance Sheet for Capital Project Funds	5	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Project Funds	6	40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7	41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		42-43
Schedule of Findings		44-52

Nishna Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Scott Hillyer	President	2008
Gary Johnson	Vice President	2009
Bryan Sowers	Board Member	2007
Linda Westover	Board Member	2007
Janet Crouse	Board Member	2008
Board of Education		
(After September 2007 Election)		
Scott Hillyer	President	2008
Janet Crouse	Vice President	2008
Gary Johnson	Board Member	2009
Rob Erickson	Board Member	2010
Matt Perkins	Board Member	2010
School Officials		
Russell Finken	Superintendent	2008
Lisa Sowers	Business Manager/ Board Secretary	2008
Engel Law Office	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Nishna Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nishna Valley Community School District, Hastings, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nishna Valley Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2009 on our consideration of the Nishna Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nishna Valley Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nishna Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,572,634 in fiscal 2007 to \$2,918,318 in fiscal 2008, while General Fund expenditures increased from \$2,869,284 in fiscal 2007 to \$3,053,307 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from a deficit \$11,875 in fiscal 2007 to a deficit balance of \$146,864 in fiscal 2008.
- The increase in General Fund revenues was attributable to an increase in state source revenues in fiscal 2008. The increase in expenditures can be attributed to salaries and benefits paid to district employees.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Nishna Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Nishna Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Nishna Valley Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Nishna Valley Community School District Annual Financial Report

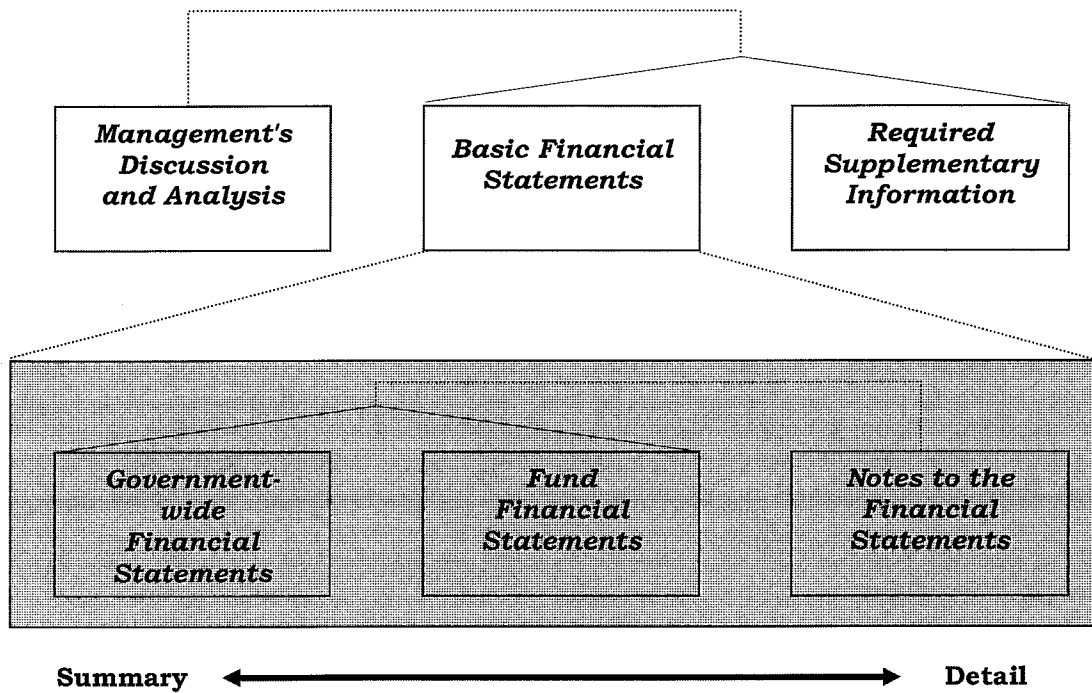


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects, and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Day Care Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's Agency Fund falls into this category.

- Agency Fund - These are funds for which the District acts as an agent for funds that belong to an outside organization.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 2,362,936	2,341,165	(42,379)	20,006	2,320,557	2,361,171	-1.72%
Capital assets	3,031,105	3,010,923	28,729	31,786	3,059,834	3,042,709	0.56%
Total assets	5,394,041	5,352,088	(13,650)	51,792	5,380,391	5,403,880	-0.43%
Long-term obligations	2,575,000	2,680,000	0	0	2,575,000	2,680,000	-3.92%
Other liabilities	1,978,120	1,784,900	1,161	1,113	1,979,281	1,786,013	10.82%
Total liabilities	4,553,120	4,464,900	1,161	1,113	4,554,281	4,466,013	1.98%
Net assets:							
Invested in capital assets, net of related debt	651,627	330,923	28,729	31,786	680,356	362,709	87.58%
Restricted	311,067	490,477	0	0	311,067	490,477	-36.58%
Unrestricted	(121,773)	65,788	(43,540)	18,893	(165,313)	84,681	-295.22%
Total net assets	\$ 840,921	887,188	(14,811)	50,679	826,110	937,867	-11.92%

The District's combined net assets decreased by \$111,757, or 11.92% over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$179,410, or 36.58% over the prior year. The decrease in restricted net assets can be attributed to the drop in fund balance for the Capital Projects Fund, Management Levy Fund and Debt Service Fund.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$249,994, or 295.22%. The main reason for the decrease in unrestricted net assets is the decrease in fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 273,701	283,047	134,466	118,535	408,167	401,582	1.64%
Operating grants and contributions and restricted interest	465,174	375,243	80,323	84,420	545,497	459,663	18.67%
Capital grants and contributions and restricted interest	0	58,909	0	0	0	58,909	-100.00%
General revenues:							
Property tax	1,520,198	1,459,566	0	0	1,520,198	1,459,566	4.15%
Income surtax	113,294	113,686	0	0	113,294	113,686	-0.34%
Local option sales and service tax	130,165	133,513	0	0	130,165	133,513	-2.51%
Unrestricted state grants	779,656	561,041	0	0	779,656	561,041	38.97%
Other	43,998	27,346	4,874	1,943	48,872	29,289	66.86%
Transfers	0	(16,285)	0	16,285	0	0	0.00%
Total revenues & transfers	3,326,186	2,996,066	219,663	221,183	3,545,849	3,217,249	10.21%
Program expenses:							
Governmental activities:							
Instructional	2,136,941	1,994,657	0	0	2,136,941	1,994,657	7.13%
Support services	942,013	961,709	7	0	942,020	961,709	-2.05%
Non-instructional programs	0	0	285,146	220,441	285,146	220,441	29.35%
Other expenses	293,499	273,966	0	0	293,499	273,966	7.13%
Total expenses	3,372,453	3,230,332	285,153	220,441	3,657,606	3,450,773	5.99%
Change in net assets	(46,267)	(234,266)	(65,490)	742	(111,757)	(233,524)	52.14%
Net assets beginning of year	887,188	1,121,454	50,679	49,937	937,867	1,171,391	-19.94%
Net assets end of year	\$ 840,921	887,188	(14,811)	50,679	826,110	937,867	-11.92%

In fiscal 2008, local tax (property tax, income surtax, and local option sales and services tax) and unrestricted state grants account for 76.46% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97.78% of the revenue from business type activities.

The District's total revenues were approximately \$3.55 million of which \$3.33 million was for governmental activities and approximately \$0.22 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.21% increase in revenues and a 5.99% increase in expenses. Property tax increased \$60,632 and unrestricted state grants increased \$218,615 to fund increases in expenditures. The increase in expenses was related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$3,326,186 and expenses were \$3,372,453.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,136,941	1,994,657	7.13%	1,484,523	1,419,389	4.59%
Support services	942,013	961,709	-2.05%	940,664	961,666	-2.18%
Other expenses	293,499	273,966	7.13%	208,391	132,078	57.78%
Totals	<u>\$ 3,372,453</u>	<u>3,230,332</u>	<u>4.40%</u>	<u>2,633,578</u>	<u>2,513,133</u>	<u>4.79%</u>

- The cost financed by users of the District's programs was \$273,701.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$465,174.
- The net cost of governmental activities was financed with \$1,520,198 in property tax, \$113,294 in income surtax, \$130,165 in local option sales and service tax, \$779,656 in unrestricted state grants, and \$15,068 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$219,663 and expenses were \$285,153. The District's business-type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Nishna Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$299,195 below last year's ending fund balances of \$470,183.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. An increase in state grant revenues was a contributing factor to the increase in General Fund revenues for fiscal 2008. The increase in revenues was not enough to offset the increase in expenditures resulting in a General Fund balance decrease of \$134,989.
- The Capital Projects fund balance decreased from \$364,293 in fiscal 2007 to \$351,571 in fiscal 2008. The paving project completed during fiscal 2008 was paid from this fund.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$71,624 at June 30, 2007 to \$65,875 at June 30, 2008. This represents a decrease of approximately 8.03%.

The School Daycare Fund net assets decreased from a deficit \$20,945 at June 30, 2007 to a deficit \$80,686 at June 30, 2008.

BUDGETARY HIGHLIGHTS

The District's revenues were \$46,739 less than budgeted revenues, a variance of 1.3%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Initially, total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

During the year ended June 30, 2008, expenditures in the non-instructional functional area exceeded the amount budgeted. The District also exceeded its General Fund unspent authorized budget by \$101,252.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$3,059,834, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.56% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$116,421.

The original cost of the District's capital assets was \$4,893,991. Governmental funds account for \$4,776,590 with the remainder of \$101,116 in the Proprietary, School Nutrition Fund and \$16,285 in the Proprietary, Daycare Fund.

The largest percentage change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$84,426 at June 30, 2007 compared to \$209,157 at June 30, 2008. The increase is attributable to the parking lot paving projects at the school.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 17,500	17,500	0	0	17,500	17,500	0.00%
Buildings	2,635,702	2,711,327	0	0	2,635,702	2,711,327	-2.79%
Improvements other than buildings	209,157	84,426	0	0	209,157	84,426	147.74%
Machinery and equipment	168,746	197,670	28,729	31,786	197,475	229,456	-13.94%
Total	\$ 3,031,105	3,010,923	28,729	31,786	3,059,834	3,042,709	0.56%

Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$2,575,000 in general obligation bonds. This represents a decrease of approximately 3.92% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 2,575,000	2,680,000	-3.92%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District's General Fund Budget.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Nishna Valley Community Schools employer benefit costs over the next four years.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gloria McComb, Business Manager/Board Secretary, Nishna Valley Community School District, 58962 380th Street, Hastings, Iowa, 51540.

BASIC FINANCIAL STATEMENTS

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Govern- mental Activities	Business- type Activities	Total
ASSETS			
Cash and pooled investments	\$ 96,819	47,754	144,573
Receivables:			
Property tax:			
Delinquent	24,993	0	24,993
Succeeding year	1,765,223	0	1,765,223
Income surtax	84,738	0	84,738
Interfund	95,883	(95,883)	0
Accounts	600	1,315	1,915
Due from other governments	273,992	197	274,189
Inventories	0	4,238	4,238
Bond discounts and issue costs	20,688	0	20,688
Capital assets, net of accumulated depreciation (Note 5)	3,031,105	28,729	3,059,834
TOTAL ASSETS	5,394,041	(13,650)	5,380,391
LIABILITIES			
Accounts payable	66,945	0	66,945
Salaries and benefits payable	126,147	0	126,147
Interest payable	19,805	0	19,805
Deferred revenue:			
Succeeding year property tax	1,765,223	0	1,765,223
Unearned revenue	0	1,161	1,161
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	110,000	0	110,000
Portion due after one year:			
General obligation bonds payable	2,465,000	0	2,465,000
TOTAL LIABILITIES	4,553,120	1,161	4,554,281
NET ASSETS			
Invested in capital assets, net of related debt	651,627	28,729	680,356
Restricted for:			
Additional teacher contract day	1,740	0	1,740
Market factor	801	0	801
Early intervention	30,923	0	30,923
Statewide voluntary preschool	21,678	0	21,678
Professional development	5,388	0	5,388
Management levy	17,312	0	17,312
Physical plant and equipment levy	40,317	0	40,317
Capital projects	156,049	0	156,049
Debt service	2,352	0	2,352
Other special revenue purposes	34,507	0	34,507
Unrestricted	(121,773)	(43,540)	(165,313)
TOTAL NET ASSETS	\$ 840,921	(14,811)	826,110

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Contributions and Restricted Interest	Operating Grants,	Govern- mental Activities	Business- Type Activities
Expenses					Total
Functions/Programs:					
Governmental activities:					
Instruction:					
Regular instruction	\$ 1,434,426	160,214	367,405	(906,807)	0 (906,807)
Special instruction	456,086	70,629	12,661	(372,796)	0 (372,796)
Other instruction	246,429	41,509	0	(204,920)	0 (204,920)
	<u>2,136,941</u>	<u>272,352</u>	<u>380,066</u>	<u>(1,484,523)</u>	<u>0 (1,484,523)</u>
Support services:					
Student services	55,223	0	0	(55,223)	0 (55,223)
Instructional staff services	56,501	0	0	(56,501)	0 (56,501)
Administration services	375,356	0	0	(375,356)	0 (375,356)
Operation and maintenance of plant services	289,231	0	0	(289,231)	0 (289,231)
Transportation services	165,702	1,349	0	(164,353)	0 (164,353)
	<u>942,013</u>	<u>1,349</u>	<u>0</u>	<u>(940,664)</u>	<u>0 (940,664)</u>
Other expenditures:					
Long-term debt interest	124,681	0	0	(124,681)	0 (124,681)
AEA flowthrough	85,108	0	85,108	0	0 0
Depreciation(unallocated)*	83,710	0	0	(83,710)	0 (83,710)
	<u>293,499</u>	<u>0</u>	<u>85,108</u>	<u>(208,391)</u>	<u>0 (208,391)</u>
Total governmental activities	3,372,453	273,701	465,174	(2,633,578)	0 (2,633,578)
Business-Type activities:					
Support services:					
Administration services	7	0	0	0	(7) (7)
Non-instructional programs:					
Nutrition services	155,478	67,663	80,323	0	(7,492) (7,492)
Daycare activities	129,668	66,803	0	0	(62,865) (62,865)
Total business-type activities	<u>285,153</u>	<u>134,466</u>	<u>80,323</u>	<u>0</u>	<u>(70,364) (70,364)</u>
Total	<u>\$ 3,657,606</u>	<u>408,167</u>	<u>545,497</u>	<u>(2,633,578)</u>	<u>(70,364) (2,703,942)</u>
General Revenues:					
Property tax levied for:					
General purposes			\$ 1,346,657	0	1,346,657
Debt service			143,079	0	143,079
Capital outlay			30,462	0	30,462
Income surtax			113,294	0	113,294
Local option sales and services tax			130,165	0	130,165
Unrestricted state grants			779,656	0	779,656
Unrestricted investment earnings			15,068	1,198	16,266
Sale of equipment			74	0	74
Other general revenues			28,856	3,676	32,532
Total general revenues			<u>2,587,311</u>	<u>4,874</u>	<u>2,592,185</u>
Changes in net assets			(46,267)	(65,490)	(111,757)
Net assets beginning of year			887,188	50,679	937,867
Net assets end of year			<u>\$ 840,921</u>	<u>(14,811)</u>	<u>826,110</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ (246,914)	240,656	103,077	96,819
Receivables:				
Property tax:				
Delinquent	21,323	0	3,670	24,993
Succeeding year	1,526,217	0	239,006	1,765,223
Income surtax	84,738	0	0	84,738
Interfund	95,883	37,924	0	133,807
Accounts	600	0	0	600
Due from other governments	201,001	72,991	0	273,992
TOTAL ASSETS	\$ 1,682,848	351,571	345,753	2,380,172
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 37,924	0	0	37,924
Accounts payable	54,686	0	12,259	66,945
Salaries and benefits payable	126,147	0	0	126,147
Deferred revenue:				
Succeeding year property tax	1,526,217	0	239,006	1,765,223
Income surtax	84,738	0	0	84,738
Total liabilities	1,829,712	0	251,265	2,080,977
Fund balances:				
Reserved for:				
Construction	0	195,522	0	195,522
Additional teacher contract day	1,740	0	0	1,740
Market factor	801	0	0	801
Early intervention	30,923	0	0	30,923
Statewide voluntary preschool	21,678	0	0	21,678
Professional development	5,388	0	0	5,388
Debt service	0	0	2,352	2,352
Unreserved	(207,394)	156,049	92,136	40,791
Total fund balances	(146,864)	351,571	94,488	299,195
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,682,848	351,571	345,753	2,380,172

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 299,195
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,031,105
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	84,738
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.	20,688
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(19,805)
Long-term liabilities, including general obligation bonds, revenue bonds, bus lease, early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(2,575,000)
Net assets of governmental activities (page 13)	\$ <u>840,921</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,410,264	69,729	223,228	1,703,221
Tuition	224,802	0	0	224,802
Other	49,168	7,076	47,399	103,643
State sources	1,145,568	60,436	0	1,206,004
Federal sources	88,442	0	0	88,442
Total revenues	2,918,244	137,241	270,627	3,326,112
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,415,018	0	17,008	1,432,026
Special instruction	456,086	0	0	456,086
Other instruction	197,498	0	48,414	245,912
	2,068,602	0	65,422	2,134,024
Support services:				
Student services	55,013	0	0	55,013
Instructional staff services	53,329	0	0	53,329
Administration services	390,532	0	0	390,532
Operation and maintenance of plant services	252,595	0	48,250	300,845
Transportation services	148,128	0	0	148,128
	899,597	0	48,250	947,847
Other expenditures:				
Facilities acquisitions	0	76,835	24,140	100,975
Long-term debt:				
Principal	0	0	105,000	105,000
Interest and fiscal charges	0	0	124,220	124,220
AEA flowthrough	85,108	0	0	85,108
	85,108	76,835	253,360	415,303
Total expenditures	3,053,307	76,835	367,032	3,497,174
Excess(Deficiency) of revenues over(under) expenditures	(135,063)	60,406	(96,405)	(171,062)
Other financing sources(uses):				
Sale of equipment	74	0	0	74
Transfers in	0	0	73,128	73,128
Transfers out	0	(73,128)	0	(73,128)
Total other financing sources(uses)	74	(73,128)	73,128	74
Net change in fund balances	(134,989)	(12,722)	(23,277)	(170,988)
Fund balance beginning of year	(11,875)	364,293	117,765	470,183
Fund balance end of year	\$ (146,864)	351,571	94,488	299,195

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (170,988)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 132,816	
Depreciation expense	<u>(112,634)</u>	20,182

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid	105,000
--------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

832

Bond issue costs and bond discounts are reported as expenses in the fund financial statements, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.

(1,293)

Changes in net assets of governmental activities (page 14) \$ (46,267)

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	School		
	Nutrition	Daycare	Total
ASSETS			
Cash and pooled investments	\$ 47,754	0	47,754
Accounts receivable	0	1,315	1,315
Due from other governments	197	0	197
Inventories	4,238	0	4,238
Capital assets, net of accumulated depreciation (Note 5)	14,847	13,882	28,729
TOTAL ASSETS	67,036	15,197	82,233
LIABILITIES			
Interfund payable	0	95,883	95,883
Unearned revenue	1,161	0	1,161
TOTAL LIABILITIES	1,161	95,883	97,044
NET ASSETS			
Invested in capital assets	14,847	13,882	28,729
Unrestricted	51,028	(94,568)	(43,540)
TOTAL NET ASSETS	\$ 65,875	(80,686)	(14,811)

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	Daycare	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 67,663	66,803	134,466
Other	662	3,014	3,676
TOTAL OPERATING REVENUES	68,325	69,817	138,142
OPERATING EXPENSES:			
Support services:			
Administration services:			
Other	0	7	7
Non-instructional programs:			
Salaries	64,351	91,847	156,198
Benefits	8,746	25,138	33,884
Services	1,571	267	1,838
Supplies	78,562	10,815	89,377
Other	62	0	62
Depreciation	2,186	1,601	3,787
Total non-instructional programs	155,478	129,668	285,146
TOTAL OPERATING EXPENSES	155,478	129,675	285,153
OPERATING LOSS	(87,153)	(59,858)	(147,011)
NON-OPERATING REVENUES:			
State sources	1,939	0	1,939
Federal sources	78,384	0	78,384
Interest on investments	1,081	117	1,198
TOTAL NON-OPERATING REVENUES	81,404	117	81,521
Changes in net assets	(5,749)	(59,741)	(65,490)
Net assets beginning of year	71,624	(20,945)	50,679
Net assets end of year	\$ 65,875	(80,686)	(14,811)

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition	Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 67,958	0	67,958
Cash received from miscellaneous	662	69,863	70,525
Cash payments to employees for services	(73,097)	(116,985)	(190,082)
Cash payments to suppliers for goods or services	(72,439)	(11,336)	(83,775)
Net cash used in operating activities	(76,916)	(58,458)	(135,374)
Cash flows from non-capital financing activities:			
Borrowings from the General Fund	0	58,341	58,341
State grants received	1,939	0	1,939
Federal grants received	69,903	0	69,903
Net cash provided by non-capital financing activities	71,842	58,341	130,183
Cash flows from capital and related financing activities:			
Purchase of capital assets	(730)	0	(730)
Cash flows from investing activities:			
Interest on investments	1,081	117	1,198
Net decrease in cash and cash equivalents	(4,723)	0	(4,723)
Cash and cash equivalents at beginning of year	52,477	0	52,477
Cash and cash equivalents at end of year	\$ 47,754	0	47,754
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (87,153)	(59,858)	(147,011)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	8,284	0	8,284
Depreciation	2,186	1,601	3,787
Increase in inventories	(528)	0	(528)
Decrease in accounts receivable	0	46	46
Decrease in accounts payable	0	(247)	(247)
Increase in unearned revenue	295	0	295
Net cash used in operating activities	\$ (76,916)	(58,458)	(135,374)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 47,754	0	47,754

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received
Federal commodities valued at \$8,284.

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
JUNE 30, 2008

	<u>Agency</u>
ASSETS	
Cash and pooled investments	<u>\$ 1,452</u>
LIABILITIES	
Due to other groups	<u>\$ 1,452</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Nishna Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the Cities of Hastings, Henderson and Emerson, Iowa, and the predominately agricultural territory in a portion of Mills and Montgomery Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Nishna Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Nishna Valley School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mills and Montgomery County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary funds:

The Enterprise, Daycare Fund is used to account for child care services provided by the District.

The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax

accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	2,000
Improvements other than buildings	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Years of Useful Life
Buildings	25-50 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized

since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the non-instructional function exceeded the amount budgeted. During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$101,252.

(2) Cash and Pooled Investments

The District's deposits in bank at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 260,281

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Interfund Receivables/Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	General	\$ 37,924
General	Daycare	95,883
Total		<u>\$ 133,807</u>

The General Fund owes the Capital Projects Fund for construction rebates that were receipted to the incorrect fund.

The Daycare Fund owes the General Fund for salaries and benefits paid in fiscal 2008.

(4) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 73,128</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The Capital Projects Fund transferred the amount shown above to the Debt Service Fund for a portion of the principal and interest that was paid on the District's General Obligation Bond indebtedness.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 17,500	0	0	17,500
Total capital assets not being depreciated	17,500	0	0	17,500
Capital assets being depreciated:				
Buildings	3,687,547	0	0	3,687,547
Improvements other than buildings	335,255	132,816	0	468,071
Machinery and equipment	603,472	0	0	603,472
Total capital assets being depreciated	4,626,274	132,816	0	4,759,090
Less accumulated depreciation for:				
Buildings	976,220	75,625	0	1,051,845
Improvements other than buildings	250,829	8,085	0	258,914
Machinery and equipment	405,802	28,924	0	434,726
Total accumulated depreciation	1,632,851	112,634	0	1,745,485
Total capital assets being depreciated, net	2,993,423	20,182	0	3,013,605
Governmental activities capital assets, net	\$ 3,010,923	20,182	0	3,031,105
Business-type activities:				
Machinery and equipment	\$ 116,671	730	0	117,401
Less accumulated depreciation	84,885	3,787	0	88,672
Business-type activities capital assets, net	\$ 31,786	(3,057)	0	28,729
Governmental activities:				
Instruction:				
Regular				\$ 2,400
Other				517
Support services:				
Student services				210
Instructional staff services				3,172
Administration services				745
Operation and maintenance of plant services				4,306
Transportation services				17,574
Unallocated depreciation				28,924
Total governmental activities depreciation expense				\$ 112,634
Business-type activities:				
Food services				\$ 2,186
Daycare				1,601
Total business-type activities depreciation expense				\$ 3,787

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 2,680,000	0	105,000	2,575,000	110,000

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonds indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond issue dated May 1, 2005		
		Principal	Interest	Total
2009	4.75	% \$ 110,000	118,832	228,832
2010	4.75	115,000	113,607	228,607
2011	4.75	120,000	108,145	228,145
2012	4.75	125,000	102,445	227,445
2013	4.75	130,000	96,507	226,507
2014-2018	4.40-4.75	715,000	388,847	1,103,847
2019-2023	4.50-4.75	860,000	218,094	1,078,094
2024-2025	4.75	400,000	28,738	428,738
Total		\$ 2,575,000	1,175,215	3,750,215

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$116,332, \$85,659 and \$86,402 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing

and funding employee benefits. The Association provides dental, health, life insurance and long term disability coverage for employees of the District. The District's contributions to ISEBA for the year ended June 30, 2008 totaled \$1,562,481.

Nishna Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$85,108 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2008, expenditures in the non-instructional function exceeded the amount budgeted. During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$101,252.

(11) Deficit Fund Balance/Net Assets

The General Fund had a deficit unreserved undesignated fund balance of \$207,394. The Enterprise, Daycare Fund had a deficit unreserved undesignated fund balance of \$94,568. The District also had a deficit unrestricted net assets balance in the governmental activities of \$121,773.

REQUIRED SUPPLEMENTARY INFORMATION

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,031,666	139,340	2,171,006	2,215,007	2,215,007	(44,001)
Intermediate sources	0	0	0	500	500	(500)
State sources	1,206,004	1,939	1,207,943	1,170,007	1,170,007	37,936
Federal sources	88,442	78,384	166,826	207,000	207,000	(40,174)
Total revenues	3,326,112	219,663	3,545,775	3,592,514	3,592,514	(46,739)
Expenditures:						
Instruction	2,134,024	0	2,134,024	2,412,512	2,412,512	278,488
Support services	947,847	7	947,854	1,149,448	1,149,448	201,594
Non-instructional programs	0	285,146	285,146	204,937	204,937	(80,209)
Other expenditures	415,303	0	415,303	747,558	747,558	332,255
Total expenditures	3,497,174	285,153	3,782,327	4,514,455	4,514,455	732,128
Excess(deficiency) of revenues over(under) expenditures	(171,062)	(65,490)	(236,552)	(921,941)	(921,941)	685,389
Other financing sources, net	74	0	74	0	0	74
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(170,988)	(65,490)	(236,478)	(921,941)	(921,941)	685,463
Balance beginning of year	470,183	50,679	520,862	1,144,430	1,144,430	(623,568)
Balance end of year	\$ 299,195	(14,811)	284,384	222,489	222,489	61,895

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the general Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the non-instructional function exceeded the amount budgeted. During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$101,252.

OTHER SUPPLEMENTARY INFORMATION

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 28,754	34,507	39,816	103,077	0	103,077
Receivables:						
Property tax:						
Current year delinquent	817	0	501	1,318	2,352	3,670
Succeeding year	63,000	0	33,006	96,006	143,000	239,006
TOTAL ASSETS	\$ 92,571	34,507	73,323	200,401	145,352	345,753
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 12,259	0	0	12,259	0	12,259
Deferred revenue:						
Succeeding year property tax	63,000	0	33,006	96,006	143,000	239,006
TOTAL LIABILITIES	75,259	0	33,006	108,265	143,000	251,265
UNRESERVED FUND BALANCES	17,312	34,507	40,317	92,136	2,352	94,488
TOTAL LIABILITIES AND FUND BALANCES	\$ 92,571	34,507	73,323	200,401	145,352	345,753

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue Funds	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 49,687	0	30,462	80,149	143,079
Other	6,049	41,118	116	47,283	116
TOTAL REVENUES	55,736	41,118	30,578	127,432	143,195
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	17,008	0	0	17,008	0
Other instruction	0	48,414	0	48,414	0
Support services:					
Operation and maintenance of plant services	48,250	0	0	48,250	0
Other expenditures:					
Facilities acquisition	0	0	24,140	24,140	0
Long-term debt:					
Principal	0	0	0	0	105,000
Interest and fiscal charges	0	0	0	0	124,220
TOTAL EXPENDITURES	65,258	48,414	24,140	137,812	229,220
Excess(deficiency) of revenues over(under) expenditures	(9,522)	(7,296)	6,438	(10,380)	(86,025)
Other financing sources:					
Transfer in	0	0	0	0	73,128
Changes in net assets	(9,522)	(7,296)	6,438	(10,380)	(12,897)
Fund balance beginning of year	26,834	41,803	33,879	102,516	15,249
Fund balance end of year	\$ 17,312	34,507	40,317	92,136	2,352

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 889	121	0	1,010
Change account	0	53	0	53
Drama - HS	528	2,053	1,176	1,405
Drama - JH	88	0	343	(255)
Instrumental music	339	706	259	786
Band trip	32	0	0	32
Vocal music	(328)	0	37	(365)
Musical	1,371	0	0	1,371
Fiesta bowl	34	0	0	34
Golf	28	0	28	0
Annual	5,910	2,306	6,793	1,423
Art	553	0	0	553
Cheerleaders - JH	49	0	0	49
National Honor Society	527	0	527	0
Cheerleaders - HS	950	0	0	950
Home economics	(389)	0	0	(389)
HOSA	(2,550)	0	178	(2,728)
Secondary fundraiser	4,743	9,428	5,342	8,829
Library club	556	2,754	2,753	557
Class of 2001	(7)	0	0	(7)
Class of 2002	228	0	0	228
Class of 2003	322	0	97	225
Class of 2005	461	0	0	461
Class of 2006	101	0	0	101
Class of 2007	(621)	0	0	(621)
Class of 2008	2,395	0	2,345	50
Class of 2009	633	0	583	50
Class of 2010	338	0	338	0
Class of 2011	48	0	48	0
Class of 2012	113	397	0	510
Class of 2013	0	77	0	77
Class of 2014	0	332	0	332
Class of 2015	0	59	0	59
Girls basketball camp	339	0	0	339
Volleyball camp	319	0	0	319
Concessions	9,125	4,830	4,213	9,742
Miscellaneous	0	98	0	98
Athletics	2,282	9,354	12,094	(458)
Industrial arts	1,035	0	0	1,035
Student council	1,509	231	120	1,620
Science club	21	0	0	21
Elementary fundraiser	2,909	2,239	3,194	1,954
Golf	0	27	0	27
Boys basketball	4,765	480	1,286	3,959
Football lights	240	0	0	240
Boys football	5,378	847	1,616	4,609
Weightlifting	539	9	0	548
Boys baseball	(350)	0	180	(530)
Boys track	29	732	144	617
Wrestling	14	0	0	14
Girls basketball	2,726	1,894	2,973	1,647
Girls volleyball	(1,591)	1,494	1,514	(1,611)
Girls softball	(3,085)	0	90	(3,175)
Girls track	(1,742)	597	143	(1,288)
Total	\$ 41,803	41,118	48,414	34,507

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 1,483	850	881	1,452
LIABILITIES				
Due to other groups	\$ 1,483	850	881	1,452

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET FOR CAPITAL PROJECT FUNDS
JUNE 30, 2008

	Capital Projects Fund		
	Building	Local Option	Total
	Projects	Sales Tax	
ASSETS			
Cash and pooled investments	\$ 157,598	83,058	240,656
Interfund receivable	37,924	0	37,924
Due from other governments	0	72,991	72,991
TOTAL ASSETS	\$ 195,522	156,049	351,571
LIABILITIES AND FUND BALANCES			
TOTAL LIABILITIES	\$ 0	0	0
Fund balances:			
Reserved for construction	195,522	0	195,522
Unreserved fund balance	0	156,049	156,049
Total fund balances	195,522	156,049	351,571
TOTAL LIABILITIES AND FUND BALANCES	\$ 195,522	156,049	351,571

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECT FUNDS
 YEAR ENDED JUNE 30, 2008

Capital Project Fund			
	Building Projects	Local Option Sales Tax	Total
REVENUES:			
Local sources:			
Local option sales and service tax	\$ 0	69,729	69,729
Interest on investments	6,895	117	7,012
Other	64	0	64
State sources	0	60,436	60,436
TOTAL REVENUES	6,959	130,282	137,241
EXPENDITURES:			
Other expenditures:			
Facilities acquisitions	76,835	0	76,835
Excess(Deficiency) of revenues over(under) expenditures	(69,876)	130,282	60,406
Other financing uses:			
Transfer out	0	(73,128)	(73,128)
Net change in fund balance	(69,876)	57,154	(12,722)
Fund balance beginning of year	265,398	98,895	364,293
Fund balances end of year	\$ 195,522	156,049	351,571

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	1,703,221	1,642,601	1,502,049	1,384,584	1,467,845
Tuition		224,802	153,988	223,155	199,949	150,922
Other		103,643	173,316	200,292	142,756	143,378
State sources		1,206,004	890,380	1,048,515	896,967	717,555
Federal sources		88,442	152,043	123,640	103,469	106,562
<hr/>						
Total	\$	3,326,112	3,012,328	3,097,651	2,727,725	2,586,262
<hr/>						
Expenditures:						
Instruction:						
Regular instruction	\$	1,432,026	1,199,188	1,227,146	1,165,363	1,078,537
Special instruction		456,086	424,280	308,410	445,693	398,733
Other instruction		245,912	368,672	372,237	256,587	254,211
Support services:						
Student services		55,013	81,846	15,730	13,392	17,465
Instructional staff services		53,329	45,397	22,545	45,251	42,566
Administration services		390,532	377,710	344,598	345,628	343,749
Operation and maintenance of plant services		300,845	305,505	273,365	227,501	214,761
Transportation services		148,128	132,519	131,478	135,548	133,658
Non-instructional		0	0	0	0	3,348
Other expenditures:						
Facilities acquisitions		100,975	225,719	2,562,434	142,969	55,382
Long Term Debt:						
Principal		105,000	105,000	100,000	0	0
Interest		124,220	129,007	133,958	0	0
AEA flow-through		85,108	82,672	81,036	80,813	80,500
<hr/>						
Total	\$	3,497,174	3,477,515	5,572,937	2,858,745	2,622,910
<hr/>						

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Nishna Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Nishna Valley Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nishna Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Nishna Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nishna Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Nishna Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Nishna Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by Nishna Valley Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Nishna Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

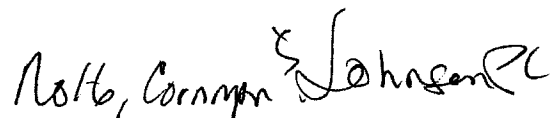
As part of obtaining reasonable assurance about whether Nishna Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Nishna Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Nishna Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Nishna Valley Community School District and other parties to whom Nishna Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Nishna Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2009

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations, posting of cash receipts to the cash receipts journal, and payroll and payroll records are all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will review the policy and structure for possible adjustments in duties.

Conclusion - Response accepted.

- I-B-08 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments in the Nutrition Fund made for the changes in inventories, capital assets, student lunch account balances or commodities received. Governmental fixed assets, receivables and payables had no adjustments made.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end of year training in an effort to provide more reliable financial statements.

Response - The District now has a different Board Secretary and all GAAP adjustments will be made at the end of the year. The district will make every effort to provide accurate financial information. A new asset inventory has been prepared and other inventories will be reported. The Board Secretary will continue to attend training that is offered, including end of the year training.

Conclusion - Response accepted.

I-C-08 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit. Sponsors were not receiving monthly statements of transactions for the individual activity fund account they are responsible for.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts. When funds are turned in for depositing, the sponsors should receive a pre-numbered receipt from the office for supporting documentation. The sponsors should also receive a monthly and yearly printout of their individual accounts for review of all transactions. Sponsors should monitor their individual accounts for missing or inaccurate data that may be recorded in their accounts.

Response - The District is working on improved receipting for student activities. Numbered receipts will be given to sponsors for money received. All sponsors will receive monthly reports of all activity account funds to assist in the reconciliation process.

Conclusion - Response accepted.

I-D-08 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however several instances of purchase orders being completed after the product had been ordered were noted.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District is reviewing and fine tuning the use of purchase orders. All purchase orders are signed and coded to an account by the superintendent. Every effort will be made to prevent issuing purchase orders after purchases are made.

Conclusion - Response accepted.

I-E-08 Grants - We noted during our audit, that when expenditures for specific grants were posted; it appeared that the expenses were not always properly posted to the project numbers associated with that specific grant.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District has created codes for grants received and bills are coded to the applicable grant.

Conclusion - Response accepted.

- I-F-08 Payroll Tax Reporting - We noted during our audit, that it appeared the District was not filing quarterly payroll reports in a timely manner. The District was paying penalties to the Internal Revenue Service and Iowa Workforce Development for late filing. It also appeared that Iowa tax withholdings were not being paid to the State of Iowa and the District's federal grant payments were seized for payment of the Iowa liability.

Recommendation - The District should contact the Internal Revenue Service and the Iowa Department of Revenue and work through with an agent to determine the amount of unpaid taxes. The District should ask for abatement of penalties and/or contact their insurance agent for coverage under the District's errors and omissions insurance.

Response - The District has worked with the IRS and Iowa Workforce Development to correct any past discrepancies with the payroll tax reporting. The District is believed to be current on tax liabilities at this time.

Conclusion - Response accepted.

- I-G-08 Shared Enrollment Contracts - We noted during our audit, that the District has a whole grade sharing agreement with Malvern Community School District. Instead of recording all revenues and expenses associated with the agreement at gross, the Districts are netting the revenues and expenses. In this way, neither District is showing the correct total cost and total revenue associated with the agreement.

Recommendation - In the future, the District needs to cease the practice of netting revenues and expenses associated with the whole grade sharing agreement and record revenues and expenses at gross.

Response - The District has instituted new billing for shared costs associated with whole grade sharing. Payments and receipts are now made at gross to accurately reflect revenues and expenses associated with the whole grade sharing agreement.

Conclusion - Response accepted.

- I-H-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

There is an interest account in the Student Activity Fund. Interest received in this account should be allocated amongst the individual activity fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

The District's Student Activity Fund has several old class accounts from 2001 through 2007. Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as start up funds for the next incoming class or transferred to another student activity fund account.

Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Currently, the District records Box Top donations in the Student Activity Fund and then pays these donations out to the District's Parent Teacher Organization.

Since the items listed for purchase with Box Top donations appear more instructional in nature, the most logical place to record these donations would be the General Fund. The Uniform Procedures Manual specifically identifies, "Student Activity funds may not in any event be devoted or allocated to any private organization" which is referenced from an Attorney General Opinion dated March 26, 1946. The District should refrain from making donations to any organizations.

Currently, donations from Target are recorded in the Elementary fundraiser account in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

The Student Activity Fund also includes a Library Club account. This account appears to have had books for the District's library purchased from it. Purchases of library books are considered an instructional expense and would be most logically handled through the General Fund. The District should transfer the remaining account balance to the General Fund.

The District receipts padlock rental fees into the secondary fundraiser account. Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt padlock rental fees into the General Fund.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - The District has made many corrections to accounts in the Student Activity Fund. The District will continue to work on procedures for receipts and expenditures in the Student Activity Fund to bring it into compliance with all requirements mentioned above.

Interest will be allocated annually to the various accounts that earned the interest.

Old class amounts have been transferred by Board action to other activity fund accounts.

Donations for items are being receipted into the funds that are most appropriate to expend them. Box Top donations now go directly to the PTO without school involvement. Target donations are now being receipted into the General Fund.

The library club account will not be used for library book purchases. Library books will be purchased from the General Fund.

Padlock rents will be receipted into the General Fund.

Conclusion - Response accepted.

NISHNA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, exceeded the budgeted amount in the non-instructional function. The District exceeded its General Fund unspent authorized budget by \$101,252.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Response - The District will monitor expenditures more closely and amend the budget when necessary. The District has contacted the Iowa Department of Education and the School Budget Review Committee and the General Fund unspent authorized budget issue has been resolved.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-08 Business Transactions - No business transactions between the District and District officials were noted.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District provides the minutes for publication within the two week period; however the District can not control the publication timeline for the local newspaper.

Conclusion - Response accepted.

- II-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported on Line 1, resident students was understated by two students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The Department of Education and the Department of Management have been contacted and the issue has been resolved.

Conclusion - Response accepted.

- II-H-08 Deposits and Investments - The District's investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa, however, we noted during our audit that the District received dividends from stock owned in Principal. Ownership of Principal stock appears to be in non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, as well as the District's investment policy.

We also noted during the audit, that the District did not include its investment in Principal stock on the financial statements. Due to change in administration and accounting personnel for the District, documentation of stock ownership was unable to be found at the time of audit.

Recommendation - The District should sell the stock, and reinvest the proceeds in an investment within compliance of the District policy number 704.3, Chapter 12B and Chapter 12C of the Code of Iowa.

Response - On recommendation of the District's school attorney, we are monitoring the value of stock held by the District that is unallowable according to District policy 704.3 and the Code of Iowa. When the market rebounds the District will dispose of the stock and reinvest in ISJIT. If the stock is still held by the District at the end of fiscal year 2009, the District will include the value of the stock on the District's financial statements.

Conclusion - Response acknowledged. The District should review Board Policy 704.3 and Chapter 12B and Chapter 12C which provides guidance of allowable investments and give instruction to the treasurer who is responsible for investing to adhere to board policy.

- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

- II-J-08 Financial Condition - At June 30, 2008, the General Fund had a deficit unreserved undesignated fund balance of \$207,394. The Enterprise, Daycare Fund had a deficit unreserved undesignated fund balance of \$94,568. The District also had a deficit unrestricted net assets balance in the governmental activities of \$121,773. The District also had eleven Student Activity Fund accounts with deficit balances totaling \$11,427.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should review the controls in place for the Student Activity Fund. Additional controls for approving purchases may be needed for the deficit accounts until a positive balance is achieved. In addition, the District should consider creating a workout plan to address the deficit Student Activity Fund account balances.

Response - The District will work to bring all accounts to a positive balance. The District's Board of Directors will evaluate all accounts in the Student Activity Fund. Unused accounts will be closed and negative activity accounts will be eliminated by Board action by moving funds from accounts with positive balance to those with negative balance. District expenditures will be monitored to reduce spending and aid in accounts returning to a positive balance. The Daycare Fund will be monitored and elimination of the program is being considered.

Conclusion - Response accepted.

II-K-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation of the Nutrition Fund that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will determine if the outstanding checks need to be voided, reissued or submitted as unclaimed property and handle them accordingly.

Conclusion - Response accepted.

II-L-08 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The Board president will sign all contracts for the district.

Conclusion - Response accepted.

II-M-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - Recommendation is accepted and changes will be made immediately with the cooperation of the bank.

Conclusion - Response accepted.

II-N-08 Check Signatures - We noted during our audit, instances of unauthorized signatures on the District's checks as well as instances of checks clearing the bank with only one signature. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - As approved by Board action at their organizational meeting, only the Board President, Board Vice-president and Board Secretary will sign checks and all checks will have two signatures.

Conclusion - Response accepted.

II-O-08 Retention of Supporting Documentation - Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. During our audit, it was noted that several invoices that were requested for disbursement testing were unavailable for audit.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork and invoices for the District to be in compliance with 291.6 of the Code of Iowa.

Response - The District Secretary will preserve all pertinent paperwork and invoices and make them available for inspection.

Conclusion - Response accepted.

II-P-08 Financial Reports to Board - Chapter 291.7 of the Code of Iowa requires the Board Secretary to file monthly financial statements and reports with the District's Board of Directors. To effectively govern, the District's Board of Directors must have current information for all district funds.

Recommendation - A financial statement including a balance sheet, revenues and expenditures for each fund should be presented to the District's Board of Directors at each monthly meeting to be in compliance with Chapter 291.7 of the Code of Iowa.

Response - At all monthly meetings the Board will receive a balance sheet of all accounts along with revenue and expenditure reports for the various accounts as well as any other financial reports or information used to inform their decisions.

Conclusion - Response accepted.

II-Q-08 Supporting Documents for Payments to Officials - We noted during the audit that payments were made to athletic officials from the Student Activity fund, however, there were not always copies of the contracts with the paid bills.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and (athletic) officials should be informed that payment will be made in this manner unless a valid contract exists. Copies of the signed contracts should be supplied to the accounting staff before checks are issued. The signed contract should then be kept with the paid bills.

Response - The District will develop procedures to pay officials after they have performed the service and requested payment.

Conclusion - Response accepted.